

## Message Text

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43

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 8061

INFO USIA WASHDC

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMCONSUL OPORTO

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN GER

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USIA FOR IEU/MCLAUGHLIN; IOP/M

E.O. 11652: N/A

TAGS: SOPN, PINT, PO

SUBJECT: GOP MOVES TO CUT DEFICITS IN STATE-FINANCED PRESS

SUMMARY: THE GOP HAS MERGED FOUR OF THE SIX STATE-FINANCED LISBON NEWSPAPERS, TWO A.M. PAPERS AND TWO P.M. PAPERS, INTO TWO NEW PUBLIC-OWNED COMPANIES.

THE AIM: A FIRST STEP IN CUTTING DOWN A HUGE MONTHLY OPERATING DEFICIT COMPILED BY THE EIGHT STATE-FINANCED PAPERS IN LISBON AND OPORTO. END SUMMARY

1. TWO NEW FIRMS: THE LONG-EXPECTED FINANCIAL

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REORGANIZATION OF FOUR STATE-RUN AND SUBSIDIZED NEWS-

PAPERS BECAME LEGALLY EFFECTIVE JULY 29. AFFECTED WERE THE HOLDING COMPANIES OF "DIARIO DE NOTICIAS", "O SECULO", "A CAPITAL", AND "DIARIO POPULAR". UNDER THE REORGANIZATION PLAN, THE FOUR COMPANIES WILL BE MERGED INTO TWO: THE EMPRESA PUBLICA DOS JORNAIS NOTICIAS E CAPITAL (EPNC) WILL ABSORB THE ASSETS OF "DIARIO DE NOTICIAS" (A.M.) AND "A CAPITAL" (P.M.) AND THE EMPRESA PUBLICA DOS JORNAIS SECULO E POPULAR (EPSP) WILL DO THE SAME FOR "O SECULO" (A.M.) AND "DIARIO POPULAR" (P.M.).

2. REDUCING THE DEFICIT: DOUBTLESS BECAUSE OF THE POLITICAL PITFALLS SURROUNDING THIS ISSUE, THE GOP'S MEASURES HAVE MINIMAL AIMS: STREAMLINING THE USE OF INSTALLATIONS AND EQUIPMENT AND REACHING COMMON POLICIES ON DISTRIBUTION, ADVERTISING, PRICE, SUNDAY EDITIONS, SALARY RATES, AND OVER THE UNDER-EMPLOYMENT. HOWEVER, NO WORKERS WILL BE FIRED, PLACING IN DOUBT THE FINAL IMPACT ON THE MASSIVE DEFICIT OF THE PAPERS, NONE OF THE CONSOLIDATED PAPERS HAVE BEEN SUSPENDED, NO STAFF REORGANIZATIONS HAVE BEEN ANNOUNCED, AND THE POLITICS OF THE PAPERS IN THIS REORGANIZATION HAVE YET TO BE DISCUSSED.

3. FURTHER PROBLEMS: IN ANOTHER GOVERNMENT MOVE MADE PUBLIC ON JULY 30, THE ADMINISTRATIVE COUNCILS OF "JORNAL DO COMERCIO" AND EPNC WERE ASKED TO DETERMINE WHETHER "JORNAL DO COMERCIO" SHOULD CEASE PUBLICATION AND HAVE ITS STAFF ABSORBED BY EPNC. UNOFFICIAL REPORTS HAVE SUGGESTED THAT EPNC PAPER WOULD USE "JORNAL DO COMERCIO" STAFF IN PUBLISHING ECONOMIC PAGES AND SUPPLEMENTS. OTHER INFORMAL REPORTS HAVE SUGGESTED THAT THE "DIARIO DE LISBOA" MAY BE TURNED OVER TO A WORKERS' COOPERATIVE AND THAT OPORTO'S "JORNAL DE NOTICIAS" AND "O COMERCIO DO PORTO" WILL BE MERGED INTO A SINGLE ENTERPRISE MUCH AS THE FOUR PAPERS IN LISBON ALREADY HAVE BEEN.

4. COMMENT: ALTHOUGH MERGER PROPOSALS HAVE BEEN UNDER ACTIVE CONSIDERATION FOR SOME TIME, THIS POTENTIALLY CONTROVERSIAL MOVE LIMITED OFFICIAL USE

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CAME IN BY THE BACK DOOR. IT WAS PROMULGATED ON JULY 13 BY OUTGOING PRESIDENT COSTA GOMES, WAS PUBLISHED IN THE OFFICIAL GOVERNMENT JOURNAL ONLY AFTER THE NEW CONSTITUTIONAL GOVERNMENT WAS IN THE PROCESS OF PREPARING ITS PROGRAM. HENCE, NO ONE IN OFFICE CAN BE BLAMED IF THE DECREE-LAW STIRS A CONTROVERSY. THIS MOVE, MERGING FOUR OF THE MOST IMPORTANT SIX STATE-FINANCED NEWSPAPERS IN LISBON, WAS A KEYSTONE

OF THE AZEVEDO GOVERNMENT'S PLAN TO REORGANIZE THE  
STATE PRESS. SO LONG AS THE QUESTION OF POSSIBLE  
DISMISSAL OF WORKERS CAN BE AVOIDED, THERE MAY NOT  
BE TOO MUCH OF AN UPROAR ABOUT THE MOVE. BUT MANY  
QUESTIONS ABOUT THE HANDLING OF THE MERGERS ARE LEFT  
OPEN, AND WILL HAVE TO BE DEFTLY MANAGED BY THE SOARES  
GOVERNMENT.  
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